

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /124 R

DRAFTED BY EB/OT/GCP:CMAS; AGR:ABAILEY; STR:SSCHWAB
APPROVED BY EB/OT/GCP - M BAAS
AGRICULTURE - T OYLOE
AGRICULTURE - G SINDELAR
AGRICULTURE - D STROBEL
AGRICULTURE - E BEVIS
STR - D COOPER (SUBS)
STR - T STEWART
COMMERCE - S S MILLER
AF/W - P CHAVEAS

-----048152 270009Z /73

P 262156Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY LAGOS PRIORITY
INFO USMISSION GENEVA PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, NI

SUBJECT: NIGERIAN IMPORT RESTRICTIONS - U.S. TRADE
CONCERNS

REFS: A) LAGOS 4126, B) LAGOS 4293, C) LAGOS 4505,
D) LAGOS 6601, E) LAGOS 7346, F) GENEVA 9007, G) TOFAS 120

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1. FOLLOWING POINTS CONCERNING CHANGES IN NIGERIA'S
IMPORT POLICY (REF A) SHOULD BE MADE TO NIGERIANS
AT HIGHEST APPROPRIATE LEVEL.

A) AS NOTED DURING OUR BILATERAL ECONOMIC DISCUSSIONS
IN WASHINGTON IN APRIL, THE US GOVERNMENT IS GREATLY
CONCERNED ABOUT NIGERIA'S INCREASINGLY RESTRICTIVE

IMPORT REGIME. WHILE THE REASONS FOR MAINTAINING CERTAIN RESTRICTIONS MAY BE VALID, RECENT NIGERIAN EXPERIENCE SHOWS THAT THE INADEQUACY OF DOMESTIC SUPPLIES LEADS TO INEQUITIES AND RAPID SURGES OF INFLATION. WE THEREFORE URGE THE FMG TO REEEXAMINE THESE MEASURES.

B. WE WOULD HOPE THAT NIGERIA'S TRADE POLICY WOULD REFLECT ITS ROLE AS A MAJOR TRADING COUNTRY. SUCH AN APPROACH WOULD ENTAIL AN EFFORT TO MAINTAIN AS LIBERAL

AN IMPORT REGIME AS IS APPROPRIATE TO ITS DEVELOPMENT NEEDS AND THE JUSTIFICATION OF DEPARTURES FROM LIBERAL TRADE BY APPROPRIATE USE OF GATT PROVISIONS WHICH PERMIT SUCH DEPARTURES. INCREASED RESTRICTIONS ARE ESPECIALLY UNFORTUNATE AT A TIME WHEN MANY COUNTRIES ARE NEGOTIATING FURTHER LIBERALIZATION IN THE MULTILATERAL TRADE NEGOTIATIONS.

C. ALTHOUGH AN OFFICIAL DECISION HAS NOT BEEN ISSUED, WE WERE PLEASED TO LEARN OF NIGERIA'S RECENT STEPS TOWARD REMOVING THE BAN ON BEEF IMPORTS AND PARTIALLY ROLLING BACK THE INCREASED DUTY ON RICE (REF D). NEVERTHELESS, WE REQUEST THAT NIGERIA ALSO RECONSIDER ITS IMPORT BAN ON FRUITS AND VEGETABLES AND ELIMINATE THE EARLIER DUTY INCREASES ON RICE AND CORN (REF C).
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WE NEED FURTHER CLARIFICATION, MOREOVER, ON WHETHER NIGERIA IS MAKING SELECTIVE IMPORTS OF MEAT AND POULTRY UNDER THE BAN OR WHETHER THE BAN HAS BEEN FORMALLY LIFTED (REF G) AND IF SO, WHAT PROCEDURES OUR EXPORTERS NEED TO FOLLOW TO TAKE ADVANTAGE OF ANY PARTIAL OR SELECTIVE LIFTING OF THE BAN. WE HAVE RECEIVED WORD FROM THE TRADE THAT AMERICAN FIRMS ARE UNABLE TO OBTAIN LICENSES TO PERMIT THEM TO EXPORT MEAT AND POULTRY TO NIGERIA. WE ARE MOST DISTURBED BY REPORTS THAT MEAT IMPORTS HAVE SO FAR BEEN AUTHORIZED ONLY FROM AUSTRALIA AND POULTRY IMPORTS ONLY FROM WEST GERMANY, URUGUAY, AND DENMARK. IF THE REPORTS ARE TRUE, FMG SHOULD BE REMINDED THAT THE USG EXPECTS OUR EXPORTERS TO RECEIVE EQUAL TREATMENT AND THAT DISCRIMINATORY TRADE ARRANGMENTS ARE A VIOLATION OF GATT ARTICLE XIII.

D. WE ARE LIKEWISE CONCERNED WITH THE VARIOUS IMPORT PROHIBITIONS AND LICENSING CONTROLS IMPOSED ON MANUFACTURED GOODS ENTERING NIGERIA, PARTICULARLY THOSE INTRODUCED ON APRIL 1 OF THIS YEAR. AT A TIME WHEN NIGERIA IS ATTEMPTING TO UNDERScore THE

IMPORTANCE IT ATTACHES TO ECONOMIC RELATIONS BETWEEN ITSELF AND THE US - AS EVIDENCED BY THE EXCHANGE OF STATE VISITS THIS PAST YEAR-THE APRIL 1 AND PREVIOUS RULINGS ON IMPORT CONTROLS HAVE IN PRACTICAL EFFECT SENT AN ENTIRELY DIFFERENT SET OF SIGNALS TO THE US BUSINESS COMMUNITY.

E. EMBASSY IS ALSO REQUESTED TO DETERMINE WHEN THE PORT DEVELOPMENT SURCHARGES (REF B) BECOME EFFECTIVE.

2. THE FOLLOWING INFORMATION MAY SERVE AS SUPPORTING DATA FOR THE EMBASSY PRESENTATION TO FMG OFFICIALS UNTIL THE OFFICIAL TEXT OF THE APRIL 1 IMPORT CHANGES IS MORE FULLY ANALYZED:
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A) TRADE BALANCE: THE US TRADE DEFICIT WITH NIGERIA WAS 5 BILLION DOLLARS IN 1977. EVEN IF, IN SPITE OF THIS, NIGERIA'S OVERALL SITUATION (I.E. ITS DESIRE TO PROMOTE DOMESTIC PRODUCTION AND OFFSET A DECLINE IN OIL SALES,) APPEARS TO REQUIRE SOME RESTRICTIVE TRADE MEASURES, WE BELIEVE THE SEVERITY OF NIGERIA'S RECENT IMPORT RESTRICTIONS IS FAR IN EXCESS OF WHAT IS REQUIRED.

B. RICE: NIGERIA WAS THE FIFTH LARGEST EXPORT MARKET FOR US RICE IN 1977. US SHIPMENTS ROSE FROM UNDER 4 MILLION DOLLARS IN 1975 TO SLIGHTLY ABOVE 83 MILLION DOLLARS, IN 1977 AND ACCOUNT FOR THE OVERWHELMING SHARE OF NIGERIA IMPORTS. THIS INCREASE REFLECTS THE NEED FOR THE NIGERIAN POPULATION TO SUPPLEMENT ITS BASIC DIET WITH ITEMS WHICH ARE NOT SUFFICIENTLY AVAILABLE DOMESTICALLY.

C. POULTRY MEAT: THE VALUE OF US POULTRY MEAT EXPORTS TO NIGERIA WENT FROM .5 MILLION DOLLARS IN 1975 TO 3.5 MILLION DOLLARS IN 1976, AND 6.5 MILLION DOLLARS IN 1977. US POULTRY MEAT EXPORTS TO NIGERIA IN THE FIRSTFOUR MONTHS OF 1978 ARE 5.2 MILLION DOLLARS.

D. FRUIT AND VEGETABLES: NIGERIAN IMPORTS WERE 71 THOUSAND DOLLARS IN 1975. AFTER THAT YEAR, THESE PRODUCTS WERE BANNED.

E. CORN: THE US SUPPLIED APPROXIMATELY 90 PERCENT OF NIGERIA'S CORN IMPORTS IN 1975. BETWEEN 1975 AND 1977 US CORN EXPORTS INCREASED FROM 627 THOUSAND DOLLARS TO 5.4 MILLION DOLLARS.
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F. THE LENGTHY APPROVAL PROCESS INSTITUTED FOR AIRCRAFT IMPORTS HAS RESULTED IN A SEVERE REDUCTION IN PURCHASES OF PLANES FROM THE US; THE JANUARY DECISION TO CEASE PURCHASING COMPUTERS ALSO IMPACTS HEAVILY ON US FIRMS SEEKING TO SELL THEIR PRODUCTS IN THE NIGERIAN MARKET. THE APRIL 1 REGULATIONS WILL ADVERSELY IMPACT ON A WIDE RANGE OF US CONSUMER AND CAPITAL GOODS FROM FOOTWEAR AND TEXTILES TO MOTOR VEHICLES. HARDEST HIT IS THE AUTOMOTIVE SECTOR, WHICH STARTING LAST NOVEMBER AT THE LAGOS TRADE FAIR HAD DECIDED TO MAKE A MAJOR

COMMITMENT TO THE NIGERIAN MARKET. NOW ALL OF THEIR SALES TO NIGERIA ARE EITHER PROHIBITED OR PLACED UNDER LICENSE AND WILL ENCOUNTER SIGNIFICANTLY HIGHER TARIFF LEVELS EVEN IF THE LICENSES ARE APPROVED. THE QUICKNESS OF THE ALTERATION OF NIGERIA'S TRADE POLICY IN THIS SECTOR AND THE STRINGENCY OF ITS CONTROLS WILL NO DOUBT DISCOURAGE US FIRMS FROM RECONSIDERING THE NIGERIAN MARKET SHOULD THE CONTROLS SUBSEQUENTLY BE RELAXED.

3. PARA 2, REF E REFERS TO QUOTE EXTERNAL CONTROL UNQUOTE IN CONTEXT OF GATT BALANCE OF PAYMENTS (BOP) NOTIFICATION. IF FMG OFFICIALS INTERPRET GATT PROVISIONS IN THIS MANNER, EMBASSY SHOULD POINT OUT THAT THIS IS NOT THE CASE. UNDER ARTICLE 18B, DEVELOPING COUNTRIES SUBMIT A REPORT ON THEIR BOP MEASURES EVERY TWO YEARS. THE BOP COMMITTEE EITHER ACCEPTS THE REPORTS, OR SCHEDULES IN-DEPTH EXAMINATION 4-6 MONTHS LATER. AT THAT TIME, COMMITTEE MAY MAKE RECOMMENDATIONS, BUT NO EXTERNAL CONTROL IS INVOLVED.

4. FOR GENEVA: REF E INDICATES GATT NOTIFICATIONS OF NIGERIAN MEASURES MAY BE IN THE OFFING. NIGERIAN
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GATT REP. MAY BE SUBMITTING RELEVANT PUBLICATION, WHICH IS FEDERAL REPUBLIC OF NIGERIA, OFFICIAL GAZETTE, NO. 16, 65, DATED APRIL 1, 1978.

5. FOR LAGOS: PLEASE POUCH COPY OF PUBLICATION (PARA 4) TO GENEVA. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 26 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE162336
Document Source: CORE
Document Unique ID: 00
Drafter: CMAST; AGR:ABAILEY; STR:SSCHWAB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780265-0535
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780619/aaaaaqhf.tel
Line Count: 223
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5dfced7f-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 LAGOS 4126, 78 LAGOS 4293, 78 LAGOS 4505
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2203281
Secure: OPEN
Status: NATIVE
Subject: NIGERIAN IMPORT RESTRICTIONS - U.S. TRADE CONCERNS
TAGS: ETRD, NI
To: LAGOS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/5dfced7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014